



ASRS REPORT

ARIZONA STATE RETIREMENT SYSTEM

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December 2009

This report provides a briefing of news and notices important to our members, retirees and employer partners, as well as other interested parties. It is produced by the ASRS on a periodic basis and posted to the ASRS website.

ASRS News

Contribution Rate set for Fiscal Year 2010-11

At its November 23, 2009 meeting, the ASRS Board of Trustees approved new contribution rates for the Defined Benefit Plan for fiscal year 2011, which take effect July 1, 2010. The contribution rates are as follows:

Combined Pension Plan and Health Insurance Benefit:

Current Contribution Rate: 9.0%
Rate for July 1, 2010: 9.6%

Long-Term Disability (LTD):

Current Contribution Rate: 0.40%
Rate for July 1, 2010: 0.25%

Total Contribution Rate (Pension plus Health Insurance plus LTD):

Current Contribution Rate: 9.40%
Rate for July 1, 2010: 9.85%

The increase in the Defined Benefit Plan contribution rate is due primarily to the downturn in the overall economy leading to decreased investment performance for the fiscal year that ended June 30, 2009, the date of the actuarial valuation used to determine the contribution rate. The rate of return to the overall ASRS fund for the fiscal year ended June 30, 2009 was -18.1 percent. Since June 30, however, investment performance has improved, as has the overall status of the ASRS fund.

The overall contribution rate increase is somewhat mitigated by a decrease in the LTD portion. That decrease, from 0.40% to 0.25%, was made possible due to continued improvements to the overall funding of the LTD program.

Given the market performance of the last fiscal year, and the 10-year period the ASRS employs to recognize gains and losses over time, members and employers can expect to see similar increase in the overall contribution rate – about a half-percent – each of the next several years.

Retiree PBI to remain the same

At its November 23, 2009 meeting, the ASRS Board of Trustees accepted the annual actuarial valuation of the Defined Benefit Plan for fiscal year 2011, which take effect July 1, 2010. The valuation as presented shows that there are no funds available for an addition to the Permanent Benefit Increase for retired members. All current PBIs will continue to be included in benefit checks, but there will be no increase this year.

Information for DC System members

NOTE: The following information applies only to members of the ASRS Defined Contribution System, referred to below as the "System." The System was the original retirement plan when the ASRS was created in 1953. Members who began participation in the ASRS after July 1, 1976 are in the Defined Benefit Plan, not the System. Of the more than 550,000 ASRS members, approximately 1,700 remain in the System, including 99 active members.

13th Check update

Retired members of the ASRS System can expect to receive their annual 13th check around mid December. The check will be in the same amount as it was last year.

The ASRS Board of Trustees at its November 23 meeting accepted the annual valuation of the defined contribution system. As of June 30, 2009, the funded status of the System was 77.3 percent, which provides for no addition to the 13th check this year.

Likewise, there will be no additions to supplemental credits for active System members.

The full actuarial valuation will be available by the first of the year.

System benefit guarantee

In response to a request initiated by the ASRS to protect System member benefits, the Arizona Attorney General's Office issued a positive opinion on November 24, 2009, and the ASRS is pleased to inform System members the formal opinion indicates the ASRS will not be required to reduce System benefits regardless of an underfunded status of their plan.

This should be welcome news for our System members and comes just a day after the ASRS received a summary of the 2009 actuarial valuation of the System, which shows a funded status of 77.3 percent as of June 30, 2009.

The ASRS had anticipated a significant decline in the funded status of the System, given the overall market performance in the fiscal year that ended June 30, 2009. There was concern that an administrative rule, along with 25 years of legal and administrative opinion, would have required a reduction in benefits to improve the System funded status.

In an effort to ensure the ASRS was doing all it could to protect System member benefits, the ASRS Executive Director sought the formal opinion from the Attorney General regarding benefit reductions, noting that protection might lie under the 1998 amendment to the state Constitution related to guaranteeing state retiree benefits.

Here is the Summary Answer from the 10-page Attorney General Opinion (No. 109-009):

The plain language of Article 29 of the Arizona Constitution prohibits the reduction of benefit payments to System members. . . . If there are insufficient funds to pay benefits to System members who retired on or after July 1, 1981, those benefits would be payable from the Plan trust fund. If there are insufficient funds to pay benefits to System members who retired before July 1, 1981, the State is liable for the shortfall, and a legislative appropriation would be necessary to satisfy the obligation.

A letter will be mailed by the end of December to all System members with this news and additional information. To read the full Attorney General opinion, visit the ASRS website – www.azasrs.gov – and look under the Members category at the top for the System Members section.

Member Meetings

Educational Meetings Offered to Inform, Assist Members

The Member Services Division of the ASRS conducts educational meetings available to all members. Whether you're newly hired and want to learn about the benefits available to you, or you're ready to retire and want assistance filling out your paperwork and making annuity selections, the ASRS has a meeting for you.

Know Your Benefits

This meeting is especially beneficial to new members. You'll learn about the many benefits of belonging to the Arizona State Retirement System, including a history and overview of the ASRS, how your pension is calculated and how to maximize your future benefit, member responsibilities, disability and survivor benefits, options should you leave ASRS employment, and more. Also covered will be the Service Purchase benefit, through which a member may purchase, under certain circumstances, time they worked under other qualified employer plans.

Getting Ready for Retirement

This meeting is vital for members who are planning to retire within a year. You'll learn about your pension benefit and how it's calculated, options for retiree health insurance and other benefits, return to work options and more. Members who register for this meeting will receive a personal benefit estimate and assistance in filling out the proper paperwork.

Know Your Insurance

This meeting has been created to provide information to members about the ASRS health insurance plans and benefits. Members planning to retire soon are encouraged to attend. You'll learn about health insurance options, meet providers, learn about the ASRS Premium Benefit program, and other benefits available to you.

Visit our website and click on the "Member Education" section to see a full listing of meetings taking place in Phoenix, Tucson and throughout the state at various locations. Reservations are required and can be made by calling our Member Advisory Center at (602) 240-2000 in Phoenix, (520) 239-3100 in Tucson, or (800) 621-3778 outside Phoenix and Tucson.

ASRS Board & Committee Meetings

ASRS Board of Trustees

Friday, December 18, 8:30 a.m. – ASRS Phoenix office, 3300 N. Central Ave., 10th floor Board Room.

Operations Committee

Thursday, December 10, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

Investment Committee

Monday, December 14, 2:30 p.m. – ASRS Phoenix office, 3300 N. Central Ave., 14th floor.

External Affairs Committee

December EAC meeting has been cancelled.

Note: All Board & Committee meetings are open to the public and your attendance is encouraged. Schedules, agendas and minutes of meetings are posted on our website and are available at our Phoenix and Tucson offices.